25 March 2024

HENRY BOOT PLC

('Henry Boot', the 'Company' or the 'Group')
Ticker: BOOT.L: Main market premium listing: FTSE: Real Estate Investment and Services.

Unaudited results for the year ended 31 December 2023

Resilient 2023 performance; Positioned well for market recovery; 10% dividend increase

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, announces its unaudited results for the year ended 31 December 2023.

Tim Roberts, Chief Executive Officer, commented:

"Our focus on high quality land, commercial property development and housebuilding in prime locations meant that demand for our premium products remained resilient and allowed Henry Boot to perform relatively well against a backdrop of a slowing economy, rising interest rates, high inflation and decreasing volumes in our key markets. While constraining our ability to bring forward developments in one respect, the government's consistent failure to make much needed reforms to an increasingly dysfunctional planning system does play to the strengths of our land promotion business while helping underpin demand from national housebuilders, who are still actively acquiring prime strategic sites to shore up their future pipelines. This alongside some well timed development disposals and Stonebridge Homes increasing house sales by 43%, helped deliver a resilient performance.

We are not immune from the challenges that the UK economy presents to the near-term trading environment and as previously reported, we expect a lag in performance in the year ahead. However, the outlook for both inflation and interest rates is improving and it's beginning to feel as though the UK economy has turned a corner, with recent reductions in mortgage rates also pointing towards a hopefully brighter future. With this in mind, and given the Group's continued strong financial position, we remain confident in achieving our medium term growth and return targets, as reflected in the 10% dividend increase we have announced today."

Financial Highlights

- 5.3% increase in revenue to £359.4m (2022: £341.4m) driven by land disposals, property development and housing completions
- Profit before tax of £37.3m (2022: £45.6m) and underlying profit[1] of £36.7m (2022: £56.1m), in line with market expectations and supported by our focus on high quality land and development in prime locations
- Capital employed has increased by 4.5% to £417m (2022: £399m) continuing our stated growth strategy and progressing, towards our medium target of £500m
- ROCE[2] of 9.9% (2022: 12.0%), rounded, at the lower end of our medium-term target of 10–15%
- NAV[3] per share is up by 3.7% to 306p (2022: 295p), due to resilient operational performance. Excluding the defined benefit pension scheme surplus, NAV per share showed an underlying increase of 3.4% to 300p (December 2022: 290p)
- Strong balance sheet, with net debt[4] of £77.8m (2022: £48.6m) reflecting continued investment in committed developments and selective acquisitions. Gearing at 19.0% (2022: 12.3%) within the optimum stated range of 10-20%
- Proposed final dividend of 4.40p (2022: 4.00p), an increase of 10.0%, in line with our progressive dividend policy, bringing the total dividend for the year to 7.33p (2022: 6.66p)
- We remain confident in achieving our medium term growth and return targets

Operational Highlights

- £248.5m (2022: £241.9m) of land and property sales led by our land promotion, development and housebuilding businesses, despite a challenging economy and slower market conditions, reflecting the demand for our prime projects and buildings

- Land promotion
    - 1,944 plots sold (2022: 3,869) at an increased gross profit per plot of £15,480 (2022: £6,066) due to significant freehold sale at Tonbridge, more than offsetting the volume reduction
    - The total land bank has grown to 100,972 plots (2022: 95,704 plots)
    - 8,501 plots with planning permission (2022: 9,431), all held at cost and 13,468 in for planning (2022: 12,297)

- Property investment & development
    - Gross Development Value of completed schemes £126m (HB share £111m) dominated by prime industrial development which was all successfully pre-let and/or pre-sold
    - High quality committed development programme of £159m, with 50% pre-sold or pre-let, including c.550,000 sq ft of Industrial & Logistics development underway (HB share: £91m GDV)
    - £1.5bn development pipeline (HB share £1.3bn GDV), 59% of which is focused on Industrial & Logistics markets
    - The market value of the investment portfolio including our share of JVs market value increased to £112.9m (2022: £108.6m) and continued to outperform the CBRE UK monthly Index, with a total return[5] of 6.7% for year ending 2023
    - Four accretive investment property sales, plus Banner Cross Hall, for a combined value of £12.7m, at an average 23% premium to December 2022 valuations
    - Stonebridge Homes increased annual sales output by 43%, completing 251 homes (2022: 175 homes) and grew total owned and controlled land bank to 1,513 plots (2022: 1,094 plots) as the business continues scaling up in line with its growth aspirations

- Construction
    - The construction segment achieved turnover of £99.5m (2022: £128.6m) in a challenging market and remained profitable, achieving an operating profit of £6.5m (2022: £12.1m)

- Responsible business
    - The Group continues to make progress against its Responsible Business Strategy and published 2025 interim targets, launching a Health and Wellbeing programme and continued progress in achieving our GHG emissions target to support reaching NZC by 2030

NOTES:

[1] Underlying profit is an alternative performance measure (APM) and is defined as profit before tax excluding revaluation movements on completed investment properties. Revaluation movement on completed investment properties includes gains of £0.5m (2022: £7.3m losses) on wholly owned completed investment property and a gain of £0.1m (2022: £3.2m losses) on completed investment property held in joint ventures. This APM is used as it provides the users with a measure that excludes specific external factors beyond management's control and reflects the Group’s underlying results. This measure is used in the business in appraising senior management performance.

[2] Return on Capital Employed is an APM and is defined as operating profit/capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation at the opening and closing balance sheet dates.

[3] Net Asset Value (NAV) per share is an APM and is defined using the statutory measures net assets/ordinary share capital.

[4] Net debt is an APM and is reconciled to statutory measures in note 7.

[5] Total property return is a metric that combines capital and income returns for the investment portfolio. It is calculated as the percentage value change plus net income accrual, relative to the capital employed and is calculated on a monthly basis and then indexed in line with the benchmark.

[6] Total Accounting Return is an APM and is defined as the growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period.

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A webcast for analysts and investors will be held at 9.30am today and presentation slides will be available to download via www.henryboot.co.uk. Details for the live dial-in facility and webcast are as follows:

Participants (UK):	Tel: 44 (0) 33 0551 0200
Confirmation code:	Quote “Henry Boot”
Webcast link:	https://stream.brrmedia.co.uk/broadcast/65bbc7e532e07c0e79477b59

About Henry Boot PLC

Henry Boot PLC (BOOT.L) was established over 135 years ago and is one of the UK's leading and long-standing property investment and development, land promotion and construction companies. Based in Sheffield, the Group is comprised of the following three segments:

Land Promotion:
Hallam Land Management Limited

Property Investment and Development:
HBD (Henry Boot Developments Limited), Stonebridge Homes Limited

Construction:
Henry Boot Construction Limited, Banner Plant Limited, Road Link (A69) Limited

The Group possesses a high-quality strategic land portfolio, an enviable reputation in the property development market backed by a substantial investment property portfolio and an expanding, jointly owned, housebuilding business. It has a construction specialism in both the public and private sectors, a long-standing plant hire business, and generates strong cash flows from its PFI contract through Road Link (A69) Limited.

www.henryboot.co.uk

Chair's Introduction

Henry Boot has performed resiliently in 2023, delivering a profit before tax (PBT) of £37.3m (2022: £45.6m) or on an underlying profit basis £36.7m (2022: £56.1m), after excluding revaluation movements on completed investment property. Throughout last year, the Group traded in a slowing economy, facing stubbornly high inflation and rising interest rates. Despite these conditions, our focus on high quality land and development in prime locations has meant the Group delivered an increase in overall sales, growing revenue to £359.4m (2022: £341.4m).

As previously reported, we expect a lag in performance for 2024 due to the time it takes for projects and sales to complete, and we remain cautious of the near-term trading environment. Whilst believing that it is crucial that any new government deals with a reform of the planning system, the outlook for both inflation and interest rates are improving, supported by recent reductions in mortgage rates. With this in mind, it feels as though the UK economy has turned a corner, leaving us with continued conviction in achieving our medium term growth and return targets.

The Group remains in a strong financial position, with a robust balance sheet and NAV per share increasing by 3.7% to 306p (2022: 295p) or by 3.4% to 300p (2022: 290p), excluding the defined benefit pension scheme surplus. Net debt increased to £77.8m (2022: £48.6m) as we maintained our focus on investing in our prime land portfolio, building out our high quality committed development programme and continuing to grow our premium housebuilder. Additionally, there was continued investment to support our long term ambitions, including the relocation of our head office as well as investment in our people, marketing and technology. This resulted in our gearing moving to 19.0%, which remains within our optimum stated range of 10-20%.

On other strategic objectives that support our long-term ambitions of the business, I am pleased to report:

- After launching our Responsible Business Strategy in 2022, we continue to make great progress against our targets. In 2023, we launched our Health and Wellbeing Strategy which includes resources and guidance on a range of key topics, such as neurodiversity and mental health. In regard to reducing our total direct greenhouse gas emissions (Scopes 1 and 2), at the end of 2023 there was a 14% reduction against the 2019 baseline, and we are on track to hit net zero carbon (NZC) by 2030.
- In November 2023, we relocated our head office to the Isaac's Building in Sheffield city centre. Our new HQ supports the aim to reduce our carbon footprint and the goal of achieving NZC by 2030, with an expected emission reduction of 79% compared with the former head office. On top of this, it offers a far superior working environment which not only encourages greater collaboration and cohesiveness across our teams, but also helps us retain and attract talent.
- In regard to our Group Employee Engagement Survey, which we conduct annually to gain feedback from our people so we can continue to improve our employee experience, we achieved an employee Net Promoter Score (eNPS) of 30 (2022: 39). Despite a decrease in our eNPS, the score is considered very good, and 46 points higher than construction and heavy industry averages, while continuing to show very high levels of advocacy, pride and loyalty in Henry Boot.
- Finally, during 2023, we began to assess our brand value proposition by completing a series of internal and external workshops. As a result, I am pleased to say that in early summer we will be launching our refreshed brand, which focuses on improving customer experience and giving greater clarity to our business model.

The Board proposes to pay a final dividend of 4.40p per share which, together with the 2.93p interim dividend, gives a total of 7.33p (2022: 6.66p), an increase of 10.0% for the year. Subject to approval at the AGM, this will be paid on 31 May 2024 to shareholders on the register at the close of business on 3 May 2024.

On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work. Once again, their expertise and high levels of engagement have been instrumental in the business producing, against a challenging backdrop, resilient results.

Peter Mawson
Chair

CEO's Review

Henry Boot performed relatively well against a backdrop of a slowing economy, rising interest rates, high inflation and decreasing volumes in our key markets. Our focus on high quality land, commercial property development and housebuilding in prime locations has meant demand for our product remained resilient, allowing us to complete £248.5m (2022: £241.9m) of sales. Whilst we have worked hard to mitigate the pressures facing the business, they have inevitably had an effect on PBT at £37.3m (2022: £45.6m). However, in the circumstances, we are pleased with this result, which was in line with our expectations.

In line with our strategy, we continue to grow the business, with NAV, on a statutory basis, increasing by 4.0% to £410m (2022: £394m), generating a total accounting return[6] of 6.1% (2022: 12.8%). With our 100,972 plot strategic land portfolio and £1.3bn development pipeline all held at the lower of cost or net realisable value, rather than being regularly revalued on a mark-to-market basis, there is significant latent value across the Group not reflected in our understated NAV.

The rapid and sustained rise in interest rates has affected our key markets. The resultant increase in mortgage rates has materially slowed down house sales, with new build sales typically down in volume by c.20%. House prices, at best, have stopped growing but, in most cases, have fallen, decreasing by 1.8% in 2023 according to Nationwide.

Despite this, Stonebridge Homes (SH), has managed to increase volume by 43% and sell at prices slightly ahead of budget. SH is one of our most ambitious growth targets. The business has grown total homes sold since setting our medium-term objectives in 2021 by 109%. This year, reflecting 50% forward sales (2022: 56%) and what is anticipated to be a slowly recovering market, we have been marginally more cautious and expect completions to increase by 10% to 275 homes in 2024. We remain committed to hitting our medium-term objective of scaling this business up to 600 homes per annum.

According to Savills Research, UK greenfield land values decreased by 6.5% in 2023. Against this backdrop, our land promotion business Hallam Land Management (HLM) performed well, selling 1,944 plots (2022: 3,869) and maintaining profitability through a higher percentage of freehold sales. More crucially, since the start of 2024 HLM has already disposed of 276 plots and exchanged on a further 793 plots for completion across 2024-2026, as well as having an additional 1,556 plots under offer. In the current constrained planning environment, it shows our main customers, the national housebuilders, are still acquiring prime strategic sites. Not all of these transactions will contribute to profit in 2024, as a number of sites have been sold with staggered completions as housebuilders have adjusted their land acquisition strategies to reflect the reduction in sales volumes.

The Government has consistently failed to carry out much needed reform of what, I am afraid to say, is an increasingly dysfunctional and under resourced planning system. The delays and uncertainties caused by planning not only affect housing and commercial property, but also investment and productivity in the UK. The recent CMA market study into housebuilding (which we contributed data to) concluded that land banking was more a symptom of the issues identified with the complex planning system, rather than it being a primary reason for the shortage of new homes. The Government's latest updates to the National Planning Policy Framework (NPPF) are at best tactical but may lead to marginally speeding up development plan preparation. Labour have made it clear if they are in government they will prioritise reviewing planning. Our plots with planning have fallen in recent years to 8,501 (2022: 9,431), primarily due to difficulties of the planning system, accentuated by delays during COVID. However, at 13,468 (2022: 12,297) we now have a high number of plots in for planning and an additional 8,227 have an allocation or draft allocation. Given our long-term track record we believe we are as skilled as anyone in the country at navigating the planning system. So, as we continue to grow the portfolio, and convert applications, we expect to build back up our valuable store of plots with planning consent.

On industrial investment, in line with the slowdown in the wider UK real estate market, volumes were down 52% in 2023 to £5.1bn according to JLL. There was also lower activity in occupational markets, with Gerald Eve data showing that take up declined c.30% in 2023 to 44.5m sq ft. Nevertheless, when factoring in that 2022 demand was boosted by COVID, last year's take up is now back in line with the 2015-19 average. However, industrial performance remained strong with rental value growth at 6.9% during 2023 according to the CBRE UK Monthly Index, meaning capital values were up by 1.4% despite further modest yield expansion. This sustained occupier demand allowed us to successfully complete 661,000 sq ft of industrial development, all of which was pre-let or pre-sold. Industrial will continue to be the largest element of our development business going forward. Our aim is to drawdown on our £1.3bn Gross Development Value (GDV) pipeline (59% of which is in industrial) over the next twelve months or so to build back up our committed programme towards our medium-term objective of completing £200m of development per annum. For the time being, new development will be pre-sold or pre-let led, and therefore likely to contribute towards profit in 2025 and beyond.

Cities are continuing to recover from the social and economic effects caused by COVID, not least both businesses and people's slightly misguided, and now seemingly reducing, desire to work from home. The major cities outside of London where we focus will, therefore, continue to attract people to live, work and play. This is demonstrated by the rise in residential rents this year at a very healthy 8.3%, although the increase in interest rates has, for the time being, cooled investor demand for funding Build-to-Rent (BtR). However, whilst investment activity has fallen across all real estate sectors, BtR has proven more resilient with investment volumes of £4.3bn during 2023, down a modest 3% on 2022 according to Cushman & Wakefield. Likewise, the demand for prime office buildings with strong ESG credentials, as businesses look to fulfil their NZC commitments and attract talent back into the office, is still healthy with regional prime office rental growth of 5.0% in 2023. Investor demand for prime offices, like that for BtR, has waned with the rise in interest rates but, as rates fall, investors are likely to return to these growth markets.

With committed development of £240m (HB share) in 2022, we have tactically reduced our committed programme to £159m (HB share) in 2023 as markets have slowed, of which 50% is pre-let or pre-sold (including units reserved at Setl). A key focus for 2024 will be converting customer interest in our three speculative schemes which will all complete this year: Setl – our premium apartments to sell in the heart of the Jewellery Quarter in Birmingham City Centre; Island – our prime, NZC office building in Manchester City Centre; and Rainham our high quality NZC industrial development in Greater London. Our target is to sell all apartments in Setl this year and, in this respect, we have reservations/exchanged in-line with pricing expectations on 30% already. On Island, we are now looking to lease the building on a floor-by-floor basis and our aim is to secure our first letting prior to completion in Q3 24. On Rainham, which completes in Q2 24, our aim is to have the majority of the scheme let within a year. As we do this the level of pre-let / pre-sold will rise above our strategic target of 65% which will give us greater scope to replenish our committed developments.

The Group's investment portfolio (IP) has outperformed again, with a total return of 6.7%, compared to the CBRE UK Index total return of 1.7% in 2023. A capital return of 1.5% against commercial markets, which fell by 1.4%, helped the market value of the portfolio grow to £112.9m (2022: £108.6m). Our structural weighting towards industrial assisted this out performance and, as we did last year, we helped ourselves by making selective accretive sales. We sold four investments plus Banner Cross Hall, the Group's former HQ, for a total of £12.7m at an average 23% premium to December 2022 valuations. We also retained three completed developments in Luton, Markham Value and Pool with a combined value of £21.2m. We have been patient in growing the IP to its medium-term target of £150m and based on market corrections in 2022 and 2023, this has proven to be the correct approach. Going forward there will be plenty of opportunity to grow this portfolio.

Our construction segment, like the rest of the UK construction market, had a challenging year. Henry Boot Construction's (HBC) performance on two of our largest projects of which both are in the centre of Sheffield, the BtR Kangaroo Works (£40m contract value) and the Heart of the City mixed use scheme (£42m contract value), were hit by the availability of materials and suffered delays. HBC starts 2024 with 49% of its order book secured (against a target of 65%), as we remain determined not to take on work where either the terms or pricing are commercially unattractive. With Pre-Construction Services Agreements (PCSAs) of £50m there are opportunities for us to secure further new work in 2024 but, again, some of this turnover could slip into 2025.

Banner Plant traded slightly below budget in a market where demand has fallen, and sales have been volatile. Road Link (A69), yet again, has traded broadly in line with expectation. Significantly, given that S&P UK Construction PMI has been running below the neutral 50.0 level for much of 2023, showing a fall in activity, the construction segment overall still contributed to the Group's profit.

Cost inflation remained challenging throughout 2023, and, whilst we have learned that there can be external shocks, it feels that its effect will be more subdued in 2024. We are planning for build cost inflation in SH and Construction to be running at between 3-4%.

In line with our ambition to grow the business, we have invested a combined total of £60.4m in increasing our strategic land portfolio to 100,972 plots, completing and building out our high-quality development programme, and growing the landbank of our premium housebuilder, SH. This has helped us to increase our capital employed by 4% to £417m. It has, however, meant our gearing has risen to 19.0% (net debt £77.8m), but is still within our optimal stated range of 10-20%. Whilst the Group's £105m facility runs until January 2025, we have agreed terms with existing lenders and expect to have a new facility in place during Q2 24.

So, all in all we are pleased with the way the business has performed, during what for our key markets has been a difficult year. We are now firmly focused on 2024 and our medium term growth targets – which remain very achievable. Whilst there is a path to lower inflation and reduced interest rates the expected recovery is very likely to be weighted towards the second half of the year. More detail on this is in the outlook, following a review of our medium term targets and operations below.

Strategy

The Group set a medium-term strategy in 2021 to grow the size of the business through a 40% increase in capital employed to over £500 million and a targeted focus on three key markets: Industrial & Logistics (I&L), Residential and Urban Development, while maintaining ROCE within a 10-15% range.

Our key metric of capital employed has risen to £417m (2022: £399m) and ROCE at 9.9% which rounded, was within our targeted range of 10-15%. Over the last two years we have delivered a ROCE of 10.8% pa which we believe to be a very creditable performance given the decline in commercial property and land values of 22.1% and 8.6% respectively from their mid-2022 peaks. We maintain our belief that we can achieve our main medium-term target of £500m capital employed, whilst continuing to generate attractive returns.

Good progress has been made against our stated medium-term targets as set out below:

Measure	Medium-term target	FY 23 Performance	Progress
Capital employed	To over £500m	£417m as at 31 December 2023	On track to grow capital employed to over £500m
Return on average capital employed	10%-15% per annum	9.9% in FY 23	We maintain our aim to be within the target range of 10-15% through the cycle
Land promotion plot sales	c.3,500 per annum	1,944 plots in FY 23, with returns from the reduction in plots sold offset by a significant sale of freehold land	The running five year average stands at 2,850 plots pa, but forecast remains on track to achieve our medium-term target
Development completions	Our share c.£200m per annum	Our share completed: £111m in FY 23, with committed programme of £159m (HB Share)	In the current market, the committed programme has been reduced; however, we have optionality to build it back up from our future pipeline of £1.3bn
Grow investment portfolio	To around £150m	£112.9m at 31 December 2023	Value increased primarily due to retained I&L developments. We have made accretive tactical sales and have opportunities to build the portfolio up to its target

Stonebridge Homes sales	Up to 600 units per annum	251 homes completed in FY 23, compared to target of 250. This is a 109% increase in homes sold since 2021	Continue to target increased output in 2024, albeit at a slower growth rate, given current market conditions. Our goal is to complete 275 homes in 2024, a further 10% increase
Construction order book secured	Minimum of 65% for the following year	49% for 2024	Difficult market conditions impacting order book for 2024. In response, the opportunity pipeline has been refocused, with £50m PCSAs in progress

Responsible Business Strategy

We launched our Responsible Business Strategy in January 2022, with our primary aim to be NZC by 2030 with respect to Scopes 1 & 2. Our strategy is guided by three principal objectives:

- To further embed ESG factors into commercial decision making so that the business adapts, ensuring long-term sustainability and value creation for the Group's stakeholders.
- To empower and engage our people to deliver long term meaningful change and impact for the communities and environments Henry Boot works in.
- To focus on issues deemed to be most significant and material to the business and hold ourselves accountable by reporting regularly on progress.

24-month performance against our 2025 targets

As we approach the midpoint of our Responsible Business Strategy, the table below highlights the good progress we have made so far against our 2025 objectives and targets.

Our People	Performance	**Our Places**	Performance
Develop and deliver a Group-wide Health and Wellbeing Strategy	Health and Wellbeing Strategy and Programme launched in Q1 23. On top of this, 50 employees trained as Mental Health First Aiders	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners	We have contributed (financial and equivalent value of) c.£450,000 to our charitable and community partners so far.
Increase gender representation, aiming for 30% of our team and line managers being female	We have made progress, with female representation across our workforce increasing to 28% (2022: 25%)	Contribute 7,500 volunteering hours to a range of community, charity and education projects	More than 5,000 volunteering hours have been delivered, putting us well over half way to our goal.
Our Planet	Performance	**Our Partners**	Performance
Reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030	Total direct GHG emissions (Scopes 1 and 2) in 2023 were 2,833 tonnes which equates to a 14%	Pay all of our suppliers a minimum of the real living wage and secure accreditation with the	Internal experts are working with the Living Wage Foundation to meet the criteria of membership with

	reduction from the 2019 baseline. Remain on course to achieve the decarbonisation trajectory	Living Wage Foundation	accreditation to be achieved in 2024.
Reduce consumption of avoidable plastic by 50%	Sustainability audits completed and a reduction action plan is in development	Collaborate with all our partners to reduce our environmental impact	We continue to engage with membership organisations and our supply chain to share knowledge and best practice

As the Group strategy continues to progress, we have evolved our strategic framework to embed our Responsible Business commitments. Whilst the fundamentals and the commercial medium term objectives of our strategy remain unchanged, we now also measure ourselves on five pillars: performance, people, partners, places, and planet.

Although the primary measure of success is financial performance, we know that we also need to make a wider impact on a variety of factors that will help ensure we remain the high performing, responsible long-term business we want to be.

Outlook

Looking ahead it feels the economy has turned a corner, with inflation falling and the path of interest rates trending down. This is very likely to move us on from the shallow recession we faced at the end of 2023 into a recovering economy. This is encouraging news for our rate sensitive markets. The demand for houses and, therefore, residential land should pick up. Lower rates will also stimulate investor interest in commercial property and BtR. All of this in turn boosts construction activity. However, planning uncertainties and delays will continue to be a problem and we also face the uncertainty of a General Election during 2024.

Not surprisingly, we do not have clear visibility on how all of this will unfold and, with key transactions to execute and complete this year in both land promotion and development, we expect 2024 results will be heavily second half weighted.

We have confidence in the long-term fundamentals of our key markets, with growing conviction that our concentration on prime, high quality buildings and projects together with our focus on developments with strong ESG credentials will reward us with improved liquidity and enhanced returns. Our balance sheet remains rock solid and, with agreed terms from our banks on renewing and enlarging our facilities expected to be in place during Q2 24, we have the resources to continue to grow the business in line with our medium term targets.

Tim Roberts
Chief Executive Officer

Business Review

Land Promotion

HLM performed well in 2023, achieving an operating profit of £21.4m (2022: £17.3m) from selling 1,944 plots (2022: 3,869) at seven locations. Although the number of plots sold in the year decreased, average gross profit per plot increased to £15,480 (December 2022: £6,066) due primarily to a significant freehold sale at Tonbridge, Kent, offsetting the volume reduction.

UK greenfield land values decreased by 6.5% in 2023 according to Savills Research. Transactions slowed significantly relative to 2022, with downward pressures on land values reflecting a fall in housebuilders' new build sales rates. However, with 16% fewer homes granted planning consent in England during 2023 compared to 2022, there continues to be competition for available prime sites resulting in land values in those locations being more resilient.

HLM's land bank has grown to 100,972 plots (December 2022: 95,704 plots), of which 8,501 plots (December 2022: 9,431 plots) have planning permission (or a Resolution to Grant subject to S106). Although there continues to be delays and challenges within the planning system, the updates to the NPPF appear not to be quite as restrictive as anticipated. In short the updated NPPF incentivises local authorities to drive forward in preparing and publishing development plans, allowing them to allocate housing sites in their administrative areas and giving them a defence against speculative planning applications. Whilst HLM is not immune from the revisions of the NPPF, given that it generally pursues larger sites of c.500 plots or above, which normally results in sites being allocated in development plans more frequently than smaller sites, the business should benefit marginally from the quicker publication of development plans.

Last year, HLM gained planning permission on 1,014 plots, which is an increase from the 435 plots granted in 2022. During the period, there were 2,185 plots submitted for planning, taking the total plots awaiting determination to 13,468 (December 2022: 12,297 plots), with a further 8,227 plots having an allocation or draft allocation for housing (but with no application as yet). HLM's land bank remains well positioned to benefit from the delays and complexities in the planning system due to the high levels of stock in premium locations, both with planning and awaiting determination, the team's specialist skill set and its strategically placed regional coverage. Despite the challenges, the number of plots in the portfolio continues to increase, giving us confidence in the medium term that our stock levels with planning will rise.

There is significant latent value in the Group's strategic land portfolio, which is held as inventory at the lower of cost or net realisable value. As such, no uplift in value is recognised in the balance sheet relating to any of the 8,501 plots with planning, and any gain will only be recognised on disposal.

Residential Land Plots

	With permission				In planning	Future	Total
	b/f	granted	sold	c/f			
2023	9,431	1,014	(1,944)	8,501	13,468	79,003	100,972
2022	12,865	435	(3,869)	9,431	12,297	73,976	95,704
2021	15,421	452	(3,008)	12,865	11,259	68,543	92,667
2020	14,713	2,708	(2,000)	15,421	8,312	64,337	88,070
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144

In relation to significant schemes:

- At Tonbridge, Kent, HLM sold 125 plots to national housebuilder Cala Homes. The site was originally contracted under option in 2004, with the freehold subsequently purchased in 2021. The scheme includes additional community benefits such as new cycle and pedestrian links to a local railway station and a contribution to improved public transport infrastructure. The deal was completed in two phases over H1 and H2 of 2023, resulting in an ungeared internal rate of return (IRR) of 25% p.a.

- At Coventry, the 2,400-plot site known as Pickford Gate, saw the sale of phase one, comprising 250 plots to Vistry in H1 23. Following this, in H2 23 HLM began to market phase two, which consists of 1,123 plots, and has received strong interest from several major housebuilders.
- At Swindon, a site jointly held with Taylor Wimpey, where over 20 years ago HLM secured an option on the site which in August 2021 received outline planning consent for a total of 2,380 plots (HLM share 1,063 plots). In December 2023, a contract was exchanged to acquire the land whilst simultaneously exchanging contracts to sell 760 plots (HLM's share) to Vistry, generating an IRR of 10% p.a. The scheme is contracted for completion in two phases during H2 24 and H1 26. HLM will retain 304 plots for future sale. The wider scheme includes local community benefits such as a new primary school, community and sport buildings as well as woodlands and green infrastructure.

Since the start of 2024 HLM has already completed the disposal of 276 plots and exchanged on a further 793 plots for completion across 2024-2026, as well as having an additional 1,556 plots under offer. This shows that despite the slowdown in the housing and residential market the demand for strategic sites endures.

Property Investment and Development

Property Investment and Development, which includes HBD and SH, delivered a combined operating profit of £22.2m (2022: £25.7m).

According to the CBRE UK Monthly Index, commercial real estate values declined by 3.9% in 2023. Industrial property was the best performing sector with values up 1.4% during the year, whilst values for both retail and offices declined by -4.2% and 11.5% respectively. The rate of yield expansion across all three sectors slowed during 2023 following the significant capital value correction in 2022. Whilst I&L take up has slowed from record levels during the COVID pandemic, the industrial sector delivered the highest rental growth in 2023 at 6.9%, due to the longer-term structural drivers and limited supply of high-quality space. At the same time, whilst BtR yields have risen from historic lows, the average rent for new residential lets increased by 8.3% during 2023 according to Zoopla, driven by continued strong demand and a lack of available units.

HBD has performed ahead of expectations, with continued growth of its completed schemes to a GDV of £126m (HBD share £111m, 2022: HBD share £83m), of which 100% was pre-let or pre-sold. In the year, HBD completed on the following developments:

- Three industrial schemes in Nottingham, Luton and Preston totalling 661,000 sq ft with a combined GDV of £104m (HBD share: £89m).
- A 40 bed state of the art care facility for The Disabilities Trust in York (HBD share: £22m GDV) which has achieved a BREEAM Excellent rating.

2023 Completed Schemes

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status
Industrial					
Nottingham, Power Park	54	54	426	-	Pre-sold
Luton, Diploma	20	20	85	-	Pre-let
Preston East, DPD & DHL	30	15	150	-	Pre-let / pre-sold
	104	89	661	-	
Urban Residential					
York, TDT	22	22	N/A	-	Pre-sold
Total for the Year	**126**	**111**	**661**	**-**	

The committed development programme now totals a GDV of £299m (HBD share: £159m GDV) and is currently 50% pre-let, pre-sold or under offer, with 98% of development costs fixed.

2024 Committed Programme

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status	Completion
Industrial						
Rainham, Momentum	120	24	380	–	Speculative	Q2 24
Southend, Ipeco2 and Cama,	20	20	156	–	Pre-sold	Q1 24
Walsall, SPARK Remediation	37	37	–	–	Forward funded	Q2 24
Leicester, TMS	10	10	29	–	Pre-sold	Q3 24
	187	91	565	–		
Urban Residential						
Birmingham, Setl	32	32	–	102	Speculative – 30% reserved	Q2 24
Aberdeen, Bridge of Don	12	1	–	TBC	Under-offer	Q2 24
Aberdeen, Cloverhill	2	2	–	500	Pre-sold and DM fee	Q2 24
	46	35	–	602		
Urban Commercial						
Manchester, Island	66	33	91	–	Speculative	Q3 24
Total for the Year	**299**	**159**	**656**	**602**		
% sold or pre-let	**29%**	**50%***				

**This includes space under offer and units reserved at Setl– 01/03/24*

Within the committed programme there is 565,000 sq ft of I&L space (HBD share: £91m GDV), a total of 602 urban residential units (HBD share: £35m GDV) and 91,000 sq ft of urban office space (HBD share: £33m GDV). This comprises:

- At Momentum, Rainham (in an 80:20 JV with Barings), the four unit I&L development, targeting NZC, serving Greater London, works are on course for completion in Q2 24, with HBD now marketing the space to potential occupiers with the aim of having the majority of the scheme let within a year.
- In H1 23, two freehold design and build transactions totalling 156,000 sq ft, at HBD's 52 acre I&L scheme in Southend, Essex, were added at a combined value of £20m. A 129,000 sq ft headquarters facility will be developed for Ipeco, a supplier of aircraft seating. CAMA Asset Store, specialists in sustainable storage for the creative industries, will take occupation of a 27,600 sq ft warehouse facility with ancillary office accommodation. Both units are on track for completion in Q1 24.
- Setl, the 102 premium apartment scheme in Birmingham, is on track to be completed in Q2 24. After launching presales in Q4 23, the full sales campaign was launched in mid-March. HBD has now secured reservations for 30% of the total units, as of March 2024, at the target price.
- At Island, Manchester a 50:50 JV scheme with Greater Manchester Pension Fund, delivering a 91,000 sq ft NZC office building is scheduled for completion in Q3 24. Marketing of the scheme has commenced and has attracted several enquiries on a floor-by-floor basis, with the aim of securing its first pre-let prior to completion.

HBD's future total development pipeline value is £1.5bn GDV (HBD share: £1.3bn GDV). All of these opportunities sit within the three key markets of I&L (59%), Urban Commercial (21%) and Urban Residential (20%). Within the development pipeline, we have c.200m near-term, occupier led schemes which have the potential to be added to the committed programme within the next twelve months comprising:

- Neighbourhood, Birmingham (HBD share: £123m GDV) - after securing planning approval in March 2023 for a 404-unit BtR development, HBD is continuing preparatory works and are now considering a number of options to progress to development including a forward funding for the scheme.
- Roman Way, Preston (HBD share: £43m GDV) - a planning consent was granted in Q4 23 to deliver c.700,000 sq ft of I&L space. In December 2023, HBD exchanged conditionally with Tilemaster to deliver a serviced plot of 10 acres which will accommodate a 150,000 sq ft manufacturing unit, which is set to commence works in Q2 24. There is also interest on a number of additional units.
- Spark, Walsall (HBD Share: £110m GDV) - HBD is set to complete remediation works in Q2 24 and are in talks to secure the schemes first pre-let on a 250,000 sq ft I&L unit (£42.5m GDV).
- Welwyn Garden City (HBD share £20m GDV) – HBD is close to securing a pre-let on 25% of this 71,200 sq ft industrial scheme and subject to this being concluded are targeting a start on site in Q3 2024.

Beyond the near-term pipeline, HBD are progressing on:

- Golden Valley, Cheltenham (HBD share of phase one: £155m GDV) - in December 2023, following the buyout of its JV partner, HBD became the sole developer of a £1bn GDV mixed-use campus, including the new National Cyber Innovation Centre. A £95m funding agreement with Cheltenham Borough Council for the delivery of phase one has now been secured as well as a £20m pledge from the Department for Levelling Up, Housing and Communities. Following planning, construction of phase one is expected to commence in 2025.

Investment Portfolio - key stats

	Dec 2023	Dec 2022
Market values - inc. share of JV's	**£112.9m**	£108.6m
Total area – '000 sq ft	**795**	856
'Topped-up' net initial yield	**5.8%**	5.8%
Reversionary yield	**6.5%**	6.5%
WAULT to expiry[1]	**10.8 years**	10.7 years
Occupancy[2]	**93%**	88%

[1]Weighted average unexpired lease term (WAULT) on commercial properties
[2]As a percentage of completed property portfolio estimated rental value (ERV)

The total market value of the IP (including share of properties held in JVs) has increased to £112.9m (December 2022: £108.6m). Whilst the CBRE UK Monthly Index showed commercial property values decreased by3.9% during 2023, HBD's portfolio increased in value by 1.1% on a like for like basis driven by continued rental value growth for the industrial and logistics assets of 2.8% over the year. The portfolio total return of 6.7% was again ahead of the CBRE Index (1.7%) and over the past three years it has outperformed the index with a total return of 7.9% pa against a benchmark return of 3.5% pa. Occupancy increased during the year to 93% (December 2022: 88%) with the weighted average unexpired lease term now 10.8 years (December 2022: 10.7 years).

During 2023, we made further accretive sales of four investment properties along with Banner Cross Hall, the Group's former HQ, for a combined value of £12.7m, at an average 23% premium to December 2022 valuations. In addition to the sales, we retained three completed high quality developments at Luton, Markham Value and Pool with a total value of £21.2m, which together with the valuation uplift were the main drivers of an increase in the value of the IP.

The Group is also committed to ensuring that all the properties within the IP have a minimum EPC rating of 'C'. Currently 73% of these properties have a rating of 'C' or higher, of which 42% of the total portfolio are rated 'A-B'. The majority of the remaining 27% of the portfolio that are currently below a 'C' rating, have redevelopment potential in the near-term with a target range of 'A' or 'B'.

The UK housing market remained subdued during 2023 as homebuyer demand continued to be impacted by higher mortgage rates. According to Nationwide UK, house prices decreased by 1.8% during 2023 and are now almost 4.5% below their mid 2022 peak. Whilst monthly housing transactions are running at c.10% below pre-COVID levels those involving a mortgage are down c.20%. There have been some encouraging signs for potential buyers recently with average earnings increasing in real terms and mortgage rates edging down over the last few months, whilst unemployment remains low by historic standards.

SH completed 251 homes during 2023 (171 Private / 80 Social) (2022: 175 - 124 private / 51 social), increasing its annual sales by 43% and performing in line with its medium term growth target of delivering 600 units.

The average selling price (ASP) for private units remained firm at £461k (2022: £503k) in-line with budget, however, the ASP reduced as the business expanded its sales outlets into its second region in the North East of England, where selling prices are slightly lower. In line with the UK new build housing market, the average sales rate for the year decreased, with SH securing 0.45 (2022: 0.51) units per week per outlet, for private houses. Notwithstanding this, sales rates in Q4 23 improved marginally to 0.46 homes per site per week (Q4 22 0.36), as mortgage rates began to fall.

Whilst supply chain availability and cost pressures remained a key focus, both issues began to improve and moderate last year. SH expects build cost inflation to be around 3% in 2024, with discussions ongoing with both suppliers and subcontractors to assist in build cost savings.

SH total owned and controlled land bank increased materially to 1,513 plots (2022: 1,094) – of which 923 plots (2022: 872) have detailed or outline planning equating to 3.4 years supply based on anticipated one-year forward sales. During 2023, SH added a further 670 plots over seven sites to its owned and controlled landbank, of which 302 plots have some form of planning and the remaining 368 plots with no form of planning have been secured under option agreements.

SH enters 2024 with the benefit of mortgage rates stabilising and cost pressures beginning to ease. Whilst not underestimating the current uncertainty in the UK housing market, SH has begun the year relatively well. In January and February 2024, an average sales rate of 0.51 (Jan and Feb 23: 0.46) houses per week per outlet was achieved, which has resulted in SH securing 50% of its sales target against a delivery target of 275 homes (206 private/ 69 social).

Construction

Trading in the Group’s construction segment was below expectations in 2023, as a result of deteriorating market conditions, achieving an operating profit of £6.5m (2022: £12.1m). UK construction activity slowed during 2023, with all new work decreasing by 2.1%, with the most significant reduction of 13.6% for new private housing.

HBC, the Group’s construction business, traded below expectations, delivering a turnover of £70.1m (2022: £101.5m) having experienced difficult operating conditions in line with the UK construction market. However, the business has the lowest capital employed of any subsidiary of the Group and, therefore, the risk it imposes on Henry Boot’s strategic growth plans remains limited.

Despite both schemes suffering delays, subcontractor and material availability issues, the Kangaroo Works, a £40m BtR scheme, completed in August 2023, with the Heart of the City, Sheffield Block H, a £42m urban development scheme, completing in phases between December 2023 and January 2024. In addition to the two significant schemes in Sheffield, a residential project at Clipstone, Mansfield also impacted HBC’s 2023 performance, as the project’s developer fell into administration, resulting in building costs not being fully recovered.

At HBC’s largest active site, the Cocoa Works in York, after a significant variation for the Pavilion and Library buildings, the contract value of the residential development increased to £57m and the project is now expected to complete in late 2024.

At the beginning of 2024, HBC has secured 49% of its order book (94% of its costs have fixed price orders placed or contractual inflation clauses). The business remains cautious to difficult trading conditions, and while HBC is actively pursuing PCSAs of £50m across urban development and residential opportunities for 2024, it is expected that some of these opportunities could now fall into the 2025 order book as the business becomes more selective in the work it pursues.

As the business review and explore all the options to deal with the current commercial challenges, the difficult decision has been made to make operational changes which has resulted in a restructuring within the business. Whilst this is regrettable, it is being carried out to protect the long term future of HBC.

Banner Plant traded slightly below budget in 2023 and in response has adjusted its sales strategy. Road Link (A69) performed in line with management expectations as traffic volumes continue to increase.

Financial Review

Summary of financial performance

	2023 £'m	2022 £'m	Change %
Total revenue			
Property investment and development	**191.9**	169.0	+14
Land promotion	**68.0**	43.8	+55
Construction	**99.5**	128.6	-23
	359.4	341.4	+5
Operating profit/(loss)			
Property investment and development	**22.2**	25.7	-14
Land promotion	**21.4**	17.3	+24
Construction	**6.5**	12.1	-46
Group overheads	**(9.9)**	(8.6)	+15
	40.2	46.5	-14
Net finance cost and other	**(2.9)**	(0.9)	+222
Profit before tax	**37.3**	45.6	-18

The Group performed well in 2023, with only a 14% fall in operating profit despite the backdrop of an economy in a technical recession. Group profit before tax of £37.3m (2022: £45.6m) or £36.7m on an underlying profit basis[1] (2022: £56.1m) remains very credible and testament to the Group's resilience.

Our focus on high quality land and development opportunities in prime locations across our three key markets continues to support this resilience.

Our land promotion business Hallam Land traded well in the year disposing of 1,944 residential plots (2022: 3,869) at an increased average gross profit per plot of £15.5k (2022: £6.1k), generating an operating profit of £21.4m (2022: £17.3m) as demand for well located premium sites continued, despite falling house prices and volumes across the UK.

Property investment and development exceeded expectation with HBD successfully completing a number of significant development schemes, particularly in the industrial sector. It also made opportune disposals of property assets at a premium to book value and progressed three speculative schemes in Manchester, Birmingham and London. Meanwhile Stonebridge increased its output 43%, completing 251 homes (2022: 175) in line with its medium term growth target of delivering 600 units per annum. Together resulting in an operating profit of £22.2m (2022: £25.7m) from the property investment and development segment.

Consolidated Statement of Comprehensive Income

Revenue increased 5% to £359.4m (2022: £341.4m) as the land promotion business made disposals at a premium site in Tonbridge increasing the segments revenue 55% to £68.0m (2022: £43.8m). The ongoing growth of Stonebridge (43% increase in output) resulted in a 38% increase in revenue to £97.2m (2022: £70.6m). Construction segment revenue declined £29.1m in a challenging market where clients are taking longer to make decisions. We continued to deliver urban development works in Sheffield and from a number of framework agreements, while becoming increasingly selective of future opportunities.

Gross profit of the Group reduced £4.8m to £76.8m (2022: £81.6m), a gross profit margin of 21% (2022: 24%) and reflects healthy returns across all our operating segments. Other income of £4.8m (2022: nil) relates to a legal settlement on a property development contract completed in 2016. Administrative expenses increased by £3.9m (2022: £2.2m) as we continued to invest in our people and processes to support future growth.

Property revaluation gains amounted to £0.4m (2022: £8.2m losses), incorporating £0.3m revaluation gains (2022: £4.9m losses) on wholly owned investment property and £0.1m revaluation gains (2022: £3.2m losses) on our share of investment property held in joint ventures.

Property revaluation gains/(losses)	**2023** **£'m**	2022 £'m
Wholly owned investment property:		
- Completed investment property	**0.5**	(7.3)
- Investment property in the course of construction	**(0.2)**	2.4
	0.3	(4.9)
Joint ventures and associates:		
- Completed investment property	**0.1**	(3.2)
- Investment property in the course of construction	**-**	-
	0.1	(3.2)
	0.4	(8.2)

Profit on sale of investment properties of £0.7m (2022: £0.6m), relates to the disposal of legacy assets at Bath and Malvern and an industrial unit at Southend. Profit on disposal of assets held for sale of £1.6m (2022: £0.1m loss) relates largely to the disposal of the Group's former head office in Sheffield.

Share of profit of joint ventures and associates of £0.4m (2022: £9.1m) includes completion and sale of two industrial units in Preston and completion of a development in Wakefield, all by the property investment and development segment. Joint ventures continue to be a key part of our operating model however the timing of returns will vary.

Profit on disposal of joint ventures and subsidiaries were £nil (2022: 0.7m), with the prior year reflecting the Group's disposal of a long standing 50% interest in a joint venture entity in Huddersfield by the property investment and development segment.

Overall, operating profits decreased by 13.5% to £40.2m (2022: £46.5m) and, after adjusting for net finance costs, we delivered a profit before tax of £37.3m (2022: £45.6m).

The segmental result analysis shows that:

- Property investment and development operating profit decreased to £22.2m (2022: £25.7m) following a very strong result in 2022, 40% up on 2021, offset by an increase in Stonebridge housing unit disposals to 251 (2022: 175), and a valuation gain on wholly owned investment property of £0.3m (2022: £4.9m loss).
- Land promotion operating profit increased to £21.4m (2022: £17.3m) as we completed on disposals at seven sites, including a high margin site in Tonbridge that increased our average gross profit per plot in the year to £15.5k (2022: £6.1k).
- Construction segment operating profits decreased to £6.5m (2022: £12.1m) as our construction business experienced difficult operating conditions, with performance on two significant projects impacted by the availability of materials and the resultant delays. Plant hire and our PFI concession continued to generate healthy contributions to the segment.

We continue to demonstrate the benefits of a broad-based operating model and how this allows us to manage the impact of cyclical markets during challenging times and capitalise on market recoveries that follow. We maintain a significant pipeline of property development and consented residential plots; the variable timing of the completion of deals in these areas does give rise to financial results which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £8.8m (effective rate of tax: 23.5%) (2022: £7.7m; effective tax rate: 16.9%) and is in line with (2022: lower) the standard rate of tax (2022: due to adjustments for joint ventures and associates reported net of tax). Current taxation on profit for the year was £6.7m (2022: £8.5m), deferred tax was a charge of £2.1m (2022: £0.8m credit).

Earnings per share and dividends

Basic earnings per share decreased 21% to 19.7p (2022: 25.0p) in line with the fall in profits attributable to owners of the Parent Company. Total dividend for the year increased 10% to 7.33p (2022: 6.66p), with the proposed final dividend increasing to 4.40p (2022: 4.00p), payable on 31 May 2024 to shareholders on the register as at 3 May 2024. The ex-dividend date is 2 May 2024.

Return on capital employed[2] ('ROCE')

ROCE[2] decreased in the year to 9.9% (2022: 12.0%), given current challenges in our markets this is expectedly toward the bottom end of the Group's target range of 10%–15% which we believe remains appropriate for our current operating model and the markets we operate in.

Finance and gearing

Net finance costs increased to £2.9m (2022: £0.9m) reflecting the increase in UK interest rates and higher borrowing levels during the year.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 9 times (2022: 22 times). No interest incurred in either year has been capitalised into the cost of assets.

The Group's banking facilities were agreed on 23 January 2020 at £75.0m. The facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions. On 20 January 2022, the banks agreed to the Group's second extension taking the facility to 23 January 2025 and on 9 October 2022 to a call on the accordion increasing the total committed facility to £105.0m. The Group has agreed terms with lenders to refinance for a further five year period but while this facility is being formalised the Group has put in place an option to extend the existing facility for a further year to 23 January 2026 which provides security of funding throughout the going concern period. The Group had drawn £83.5m of the facility at 31 December 2023 (2021: £50.0m).

On 20 December 2021, the Group signed a £25.0m receivables purchase agreement with HSBC Invoice Finance UK Limited (HSBC) that allows it to sell deferred income receivables to the bank. The risk and rewards of ownership are deemed to fully transfer to HSBC and, therefore, this agreement is recorded off balance sheet. The Group had sold £14.7m of receivables under the agreement at 31 December 2023 (2022: £7.6m).

2023 year-end net debt[4] was £77.8m (2022: £48.6m) resulting in gearing of 19.0% (2022: 12.3%), at the upper end of our targeted range of 10%-20% following continued investment in our prime land portfolio, growing our premium housebuilder and delivering our high quality committed development programme.

All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated within the facility covenants and continue to do so.

Cash flow summary

	2023	2022
	£'m	£'m
Operating profit	**40.2**	46.5
Depreciation and other non-cash items	**(1.1)**	(3.4)
Net movement on equipment held for hire	**(2.1)**	(4.1)
Movement in working capital	**(31.2)**	(55.6)
Cash generated from operations	**5.8**	(16.6)
Net capital (investments)/disposals	**(16.4)**	16.6
Net interest and tax	**(7.4)**	(3.6)
Dividends paid	**(12.8)**	(12.4)
Dividends received from joint ventures	**0.9**	7.1
Other	**0.7**	0.8
Change in net debt	**(29.2)**	(8.1)
Net debt brought forward	**(48.6)**	(40.5)
Net debt carried forward	**(77.8)**	(48.6)

During 2023, the cash inflow from operations amounted to £5.8m (2022: £16.6m outflow) after net investment in equipment held for hire of £2.1m (2022: £4.1m), and cash outflows from a net increase in working capital of £31.2m (2022: £55.6m). Our increase in working capital arises from additional investment in housebuilder inventories, strategic land sales on deferred terms and the ongoing development of schemes in progress.

Net capital investment of £16.4m (2022: £16.6m disposals) arose primarily from investment in joint ventures of £12.4m (2022: £2.3m redemption) the prior year containing significant disposals of an industrial unit in Wakefield and a motorway service station in Kent.

Net dividends, totalled £11.9m (2022: £5.3m), with those paid to equity shareholders of £9.3m (2022: £8.4m), increasing by 10%, and dividends to non-controlling interests of £3.5m (2022: £4.0m), being offset by dividends received from joint ventures during the year of £0.9m (2022: £7.1m).

After net interest and tax of £7.4m (2022: £3.6m), there was an overall outflow in net cash of £29.2m (2022: £8.1m), resulting in net debt of £77.8m (2022: £48.6m).

Statement of financial position summary

	2023 **£'m**	2022 £'m
Investment properties and assets classified as held for sale	**100.6**	97.1
Intangible assets	**2.2**	2.9
Property, plant and equipment, including right-of-use assets	**33.2**	29.8
Investment in joint ventures and associates	**10.5**	10.0
	146.5	139.8
Inventories	**297.6**	291.8
Receivables	**129.3**	122.9
Payables	**(88.1)**	(113.6)
Other	**(5.2)**	(4.2)
Net operating assets	**480.2**	436.7
Net debt	**(77.8)**	(48.6)
Retirement benefit asset	**7.7**	6.2
Net assets	**410.1**	394.3
Less: Non-current liabilities and pension asset	**6.6**	4.8
Capital employed	**416.7**	399.1

Wholly owned investment properties increased in value to £100.6m (2022: £97.1m), following the retention of newly completed industrial assets in Luton and Pool with a combined book value of £19.0m. Offset by disposals of an office in Bath, a leisure asset in Malvern and an industrial unit in Southend, together they sold at a premium to December 2022 book value of £7.0m. Property revaluation gains amounted to £0.4m (2022: £8.2m loss), incorporating £0.3m gains (2022: £4.9m loss) on wholly owned investment property and a £0.1m gain (2022: £3.2m loss) on our shares of investment property held in joint ventures.

Intangible assets reflect goodwill of £1.0m (2022: £1.2m), being Road Link (A69) of £0.1m (2022: £0.3m) and Banner Plant depots £0.9m (2022: £0.9m) and the Group's investment in Road Link (A69) of £1.2m (2022: £1.7m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to National Highways at the end of the concession period in March 2026.

Property, plant and equipment comprises Group occupied buildings valued at £4.7m (2022: £7.0m), leasehold improvements of £2.4m (2022: nil), and plant, equipment and vehicles with a net book value of £26.1m (2022: £22.8m), including £4.0m (2022: £1.0m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased as new additions of £8.7m (2022: £3.8m) are offset by disposals and the depreciation charge for the year. Leasehold improvements and right-of-use assets have increased largely due to the lease of the Group's new head office in Sheffield.

Investments in joint ventures and associates increased £0.5m to £10.5m (2022: £10.0m), being the Group's share of profits of £0.4m (2022: £9.1m) (including fair value increases of £0.1m), additional investment of £1.0m (2022: £2.1m), less distributions of £0.9m (2022: £7.2m) and net disposals of £nil (2022: £4.1m). We continue to undertake property development projects with other parties where mutually beneficial.

Inventories were £297.6m (2022: £291.8m) as we increased our housebuilder land and work in progress to £93.0m (2022: £80.6m). We continue to invest in land, expand regionally into the North East and increase annual plot disposals. Property inventory decreased to £80.6m (2022: £91.2m) as the Group completed committed developments in York and Southend, and retained an industrial scheme which was transferred to investment property. In our strategic land business we continue to invest in owned land and land interests under agency agreements at a lower capital cost amounting to £42.2m (2022: £28.2m). Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables, including contract assets, increased £6.5m to £129.3m (2022: £122.9m) due to an increase in loans to joint ventures and associates and as we progress development schemes. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables decreased to £88.1m (2022: £113.6m) with trade and other payables decreasing to £76.0m (2022: £100.0m), provisions decreasing to £4.4m (2022: £5.4m) as strategic land provisions unwind and we near the end of our PFI concession arrangement. Contract liabilities decreased to £1.1m (2022: £4.0m), as large construction schemes near completion.

Net debt included cash and cash equivalents of £13.0m (2022: £17.4m), borrowings of £86.5m (2022: £65.0m), including £3.0m other loans (2022: £nil) arising from sale and lease back, and lease liabilities of £4.3m (2022: £1.0m). In total, net debt was £77.8m (2022: 48.6m).

At 31 December 2023, the IAS 19 pension valuation was a surplus of £7.7m (2022: £6.2m surplus), driven by interest on the existing surplus and contributions paid by the Group to the scheme. The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice received.

Overall, the net assets of the Group increased by 4.0% to £410.1m (2022: £394.3m), arising from retained profits less distributions to shareholders with NAV per share[3] increasing 3.7% to 306p (2022: 295p).

Darren Littlewood
Chief Financial Officer

NOTES:

[1] Underlying profit is an alternative performance measure (APM) and is defined as profit before tax excluding revaluation movements on completed investment properties. Revaluation movement on completed investment properties includes gains of £0.5m (2022: £7.3m losses) on wholly owned completed investment property and gain of £0.1m (2022: £3.2m losses) on completed investment property held in joint ventures. This APM is used as it provides the users with a measure that excludes specific external factors beyond management's controls and reflects the Group's underlying results. This measure is used in the business in appraising senior management performance.

[2] Return on Capital Employed is an APM and is defined as operating profit/capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation at the opening and closing balance sheet dates.

[3] Net Asset Value (NAV) per share is an APM and is defined using the statutory measures net assets/ordinary share capital.

[4] Net debt is an APM and is reconciled to statutory measures in note 7.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	2023 £'000	2022 £'000
Revenue	**359,399**	341,419
Cost of sales	**(282,634)**	(259,829)
Gross profit	**76,765**	81,590
Other income	**4,800**	—
Administrative expenses	**(44,342)**	(40,455)
	37,223	41,135
Increase/(decrease) in fair value of investment properties	**307**	(4,921)
Profit on sale of investment properties	**733**	646
Profit/(loss) on sale of assets held for sale	**1,571**	(149)
Share of profit of joint ventures and associates	**371**	9,079
Profit on disposal of joint ventures	**—**	667
Operating profit	**40,205**	46,457
Finance income	**3,357**	1,641
Finance costs	**(6,260)**	(2,503)
Profit before tax	**37,302**	45,595
Tax	**(8,759)**	(7,725)
Profit for the year from continuing operations	**28,543**	37,870

Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**(228)**	315
Deferred tax on property revaluations	**279**	(23)
Actuarial (loss)/gain on defined benefit pension scheme	**(3,066)**	14,994
Deferred tax on actuarial (loss)/gain	**767**	(3,749)
Total other comprehensive income not being reclassified to profit or loss in subsequent years	**(2,248)**	11,537
Total comprehensive income for the year	**26,295**	49,407
Profit for the year attributable to:		
Owners of the Parent Company	**26,299**	33,319
Non-controlling interests	**2,244**	4,551
	28,543	37,870
Total comprehensive income attributable to:		
Owners of the Parent Company	**24,051**	44,856
Non-controlling interests	**2,244**	4,551
	26,295	49,407
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**19.7p**	25.0p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**19.3p**	24.6p

UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	2023 £'000	2022 £'000
ASSETS		
Non-current assets		
Intangible assets	**2,179**	2,933
Property, plant and equipment	**29,218**	28,766
Right-of-use assets	**3,986**	997
Investment properties	**100,602**	97,116
Investment in joint ventures and associates	**10,484**	9,990
Retirement benefit asset	**7,725**	6,188
Trade and other receivables	**39,263**	37,029
Deferred tax assets	**213**	249
	193,670	183,268
Current assets		
Inventories	**297,618**	291,778
Contract assets	**13,659**	19,257
Trade and other receivables	**76,416**	66,601
Cash	**13,034**	17,401
	400,727	395,037
LIABILITIES		
Current liabilities		
Trade and other payables	**73,477**	95,827
Contract liabilities	**1,060**	4,006
Current tax liabilities	**6,677**	3,793
Borrowings	**84,819**	65,000
Lease liabilities	**728**	426
Provisions	**3,221**	4,003
	169,982	173,055
NET CURRENT ASSETS	**230,745**	221,982
Non-current liabilities		
Trade and other payables	**2,501**	4,568
Borrowings	**1,699**	—

Lease liabilities	**3,547**	607
Deferred tax liabilities	**5,372**	4,401
Provisions	**1,178**	1,385
	14,297	10,961
NET ASSETS	**410,118**	394,289
EQUITY		
Share capital	**13,799**	13,763
Property revaluation reserve	**1,011**	2,352
Retained earnings	**383,219**	365,692
Other reserves	**8,248**	7,482
Cost of shares held by ESOP trust	**(875)**	(967)
Equity attributable to owners of the Parent Company	**405,402**	388,322
Non-controlling interests	**4,716**	5,967
TOTAL EQUITY	**410,118**	394,289

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Attributable to owners of the Parent Company							
Group	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2022	13,732	2,060	328,348	6,744	(1,044)	349,840	5,446	355,286
Profit for the year	—	—	33,319	—	—	33,319	4,551	37,870
Other comprehensive income	—	292	11,245	—	—	11,537	—	11,537
Total comprehensive income	—	292	44,564	—	—	44,856	4,551	49,407
Equity dividends	—	—	(8,383)	—	—	(8,383)	(4,030)	(12,413)
Proceeds from shares issued	31	—	—	738	—	769	—	769
Share-based payments	—	—	1,163	—	77	1,240	—	1,240
	31	—	(7,220)	738	77	(6,374)	(4,030)	(10,404)
At 31 December 2022	13,763	2,352	365,692	7,482	(967)	388,322	5,967	394,289
Profit for the year	**—**	**—**	**26,299**	**—**	**—**	**26,299**	**2,244**	**28,543**
Other comprehensive income	**—**	**51**	**(2,299)**	**—**	**—**	**(2,248)**	**—**	**(2,248)**
Total comprehensive income	**—**	**51**	**24,000**	**—**	**—**	**24,051**	**2,244**	**26,295**
Transfer between reserves[1]	**—**	**(1,392)**	**1,392**	**—**	**—**	**—**	**—**	**—**
Equity dividends	**—**	**—**	**(9,274)**	**—**	**—**	**(9,274)**	**(3,495)**	**(12,769)**
Purchase of treasury shares	**—**	**—**	**—**	**—**	**(98)**	**(98)**	**—**	**(98)**
Proceeds from shares issued	**36**	**—**	**—**	**766**	**—**	**802**	**—**	**802**
Share-based payments	**—**	**—**	**1,409**	**—**	**190**	**1,599**	**—**	**1,599**
	36	**(1,392)**	**(6,473)**	**766**	**92**	**(6,971)**	**(3,495)**	**(10,466)**
At 31 December 2023	**13,799**	**1,011**	**383,219**	**8,248**	**(875)**	**405,402**	**4,716**	**410,118**

[1] Transfer of realised profits on disposal of revalued property

UNAUDITED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Cash generated from operations	**5,871**	(16,549)
Interest paid	**(5,475)**	(1,829)
Tax paid	**(3,797)**	(2,918)
Net cash flows from operating activities	**(3,401)**	(21,296)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,074)**	(971)
Purchase of investment property	**(8,017)**	(9,301)
Purchase of investment in associate	**—**	(2,112)

Proceeds on disposal of property, plant and equipment (excluding equipment held for hire)	**432**	270
Proceeds on disposal of assets held for sale	**4,713**	10,987
Proceeds on disposal of investment properties	**7,764**	8,146
Advances of loans to joint ventures and associates	**(24,321)**	(8,560)
Repayment of loans from joint ventures and associates	**10,868**	10,904
Proceeds on disposal of joint ventures	**—**	6,873
Interest received	**1,830**	1,153
Dividends received from joint ventures	**900**	7,160
Net cash flows from investing activities	**(9,905)**	24,549
Cash flows from financing activities		
Proceeds from shares issued	**802**	769
Purchase of treasury shares	**(98)**	—
Movement in payables to joint ventures and associates	**12**	355
Repayment of borrowings	**(36,510)**	(70,000)
Proceeds from borrowings	**58,028**	85,000
Principal elements of lease payments	**(526)**	(679)
Dividends paid – ordinary shares	**(9,253)**	(8,362)
– non-controlling interests	**(3,495)**	(4,030)
– preference shares	**(21)**	(21)
Net cash flows from financing activities	**8,939**	3,032
Net (decrease)/increase in cash and cash equivalents	**(4,367)**	6,285
Net cash and cash equivalents at beginning of year	**17,401**	11,116
Net cash and cash equivalents at end of year	**13,034**	17,401

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. Basis of preparation

These results for the year ended 31 December 2023 are unaudited. The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2023 or 31 December 2022 as defined by Section 434 of the Companies Act 2006.

The results have been prepared in accordance with UK adopted international accounting standards. They have been prepared on the historic cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

The financial information for the year ended 31 December 2022 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The current auditors, Ernst & Young LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2023 will be finalised on the basis of the financial information presented by the Directors in these results and will be delivered to the Registrar of Companies following the AGM of Henry Boot PLC. The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2022, which are available on the Group's website at www.henryboot.co.uk.

The following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2023:

		Effective from
IFRS 17 (issued 2017)	'Insurance Contracts'	1 January 2023
IFRS 17 (amended 2020)	'Implementation challenges'	1 January 2023
IAS 1 and IFRS Practice Statement 2 (amended 2021)	'Disclosure of accounting policies'	1 January 2023
IAS 8 (amended 2021)	'Definition of accounting estimates'	1 January 2023
IAS 12 (amended 2021)	'Deferred tax related to Assets and Liabilities arising from a single transaction'	1 January 2023
IFRS 17 (amended 2021)	'Initial application of IFRS 17'	1 January 2023
IAS 12 (amended 2023)	'International Tax Reform – Pillar Two Model Rules'	Immediately effective

These standards did not have a material impact on the Group's results.

The Group did not early adopt any standard or interpretation not yet mandatory.

Going concern
In undertaking their going concern review, which covers the period to 31 December 2025, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern.

As the UK economy continues to prove challenging, the Directors have assessed the Group's ability to operate in a more uncertain environment in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario, including further curtailment in activities. This downside scenario shows a c34% reduction in sales and c87% reduction in operating profits from the base case in 2024. Construction and Development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2024 unless already contracted. For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.20%. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2024 with net debt of £77.8m, and with c.£83.7m net debt at 29 February 2024, against current facilities of £105.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure while delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. The existing agreement runs to 23 January 2025 and for the purposes of supporting the Groups going concern assessment, an option, entirely in management's control, to extend the existing facilities by a further 12 months to 23 January 2026 has been put in place. The extension maintains the existing facility terms other than for a rachet interest rate of between 1.60% and 2.00% above SONIA. Management has assumed these financing conditions within the going concern assessment.

While the option provides security of funding throughout the going concern period and has been used for the purposes of preparing the models used to support the going concern assessment, the Group has also agreed terms with existing lenders on a new revolving credit facility which is currently in the legal process and expected to be signed shortly. The new facility level will increase to £125m, for a period of three years and include options to extended by one year to 2028 and a further year to 2029. The facility terms are similar to the existing agreement and will be at a rate of 1.60% above SONIA. The agreement includes an accordion to increase the facility by up to £60m. The new facility is expected to complete in H1 2024.

None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants or liquidity breaches in the going concern period. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs, which is assessed half-yearly. We have performed a reverse stress test to determine at what point this covenant could be breached and it would require a further 15% reduction in EBIT, to the downside scenario, in December 2024. We consider this implausible as our downside modelling includes a 34% reduction in revenue and 87% reduction in operating profit from our base case for 2024 without a breach, and as such we consider any further breach to be remote. Furthermore, the Directors are satisfied that there are further mitigations which can be implemented quickly should the business require in order to satisfy a covenant test. We are satisfied that we are able to comply with covenants throughout the going concern period.

The Directors expect that the Company and the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

2. Segment information
For the purpose of the Board making strategic decisions, the Group is currently organised into three operating segments: Property Investment and Development; Land Promotion; and Construction. Group overheads are not a reportable segment; however, information about them is considered by the Board in conjunction with the reportable segments.

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies.

Segment profit represents the profit earned by each segment before tax and is consistent with the measure reported to the Group's Board for the purpose of resource allocation and assessment of segment performance.

	2023					
Revenue	**Property**	**Land**	**Construction**	**Group**	**Eliminations**	**Total**

	Investment and Development £'000	Promotion £'000	£'000	overheads £'000	£'000	£'000
External sales	**191,884**	**67,992**	**99,523**	**—**	—	**359,399**
Inter-segment sales	**258**	—	**1,050**	**271**	**(1,579)**	—
Total revenue	**192,142**	**67,992**	**100,573**	**271**	**(1,579)**	**359,399**
Gross profit/(loss)	**31,554**	**29,815**	**15,177**	**238**	**(19)**	**76,765**
Other income	**4,800**	**—**	**—**	**—**	**—**	**4,800**
Administrative expenses and pension	**(17,172)**	**(8,371)**	**(8,682)**	**(10,136)**	**19**	**(44,342)**
Other operating income	**2,989**	**(7)**	**—**	**—**	**—**	**2,982**
Operating profit/(loss)	**22,171**	**21,437**	**6,495**	**(9,898)**	—	**40,205**
Finance income	**3,273**	**1,197**	**458**	**25,813**	**(27,384)**	**3,357**
Finance costs	**(11,596)**	**(615)**	**(480)**	**(5,437)**	**11,868**	**(6,260)**
Profit/(loss) before tax	**13,848**	**22,019**	**6,473**	**10,478**	**(15,516)**	**37,302**
Tax	**(5,741)**	**(4,470)**	**(1,686)**	**3,138**	—	**(8,759)**
Profit/(loss) for the year	**8,107**	**17,549**	**4,787**	**13,616**	**(15,516)**	**28,543**

	2022					
Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	168,990	43,820	128,609	—	—	341,419
Inter-segment sales	290	—	4,453	386	(5,129)	—
Total revenue	169,280	43,820	133,062	386	(5,129)	341,419
Gross profit/(loss)	36,488	24,320	20,720	99	(37)	81,590
Administrative expenses and pension	(16,142)	(6,971)	(8,636)	(8,743)	37	(40,455)
Other operating income/(expense)	5,322	—	—	—	—	5,322
Operating profit/(loss)	25,668	17,349	12,084	(8,644)	—	46,457
Finance income	4,015	744	1,507	26,576	(31,201)	1,641
Finance costs	(2,226)	(213)	(374)	(3,373)	3,683	(2,503)
Profit/(loss) before tax	27,457	17,880	13,217	14,559	(27,518)	45,595
Tax	(3,411)	(3,451)	(2,771)	1,908	—	(7,725)
Profit/(loss) for the year	24,046	14,429	10,446	16,467	(27,518)	37,870

	2023 £'000	2022 £'000
Segment assets		
Property Investment and Development	**362,737**	355,491
Land Promotion	**160,690**	149,598
Construction	**41,635**	45,766
Group overheads	**8,363**	3,612
	573,425	554,467
Unallocated assets		
Deferred tax assets	**213**	249
Retirement benefit asset	**7,725**	6,188
Cash and cash equivalents	**13,034**	17,401
Total assets	**594,397**	578,305
Segment liabilities		
Property Investment and Development	**38,101**	59,113
Land Promotion	**15,635**	13,114
Construction	**22,797**	36,994
Group overheads	**4,904**	568
	81,437	109,789
Unallocated liabilities		

Current tax liabilities	**6,677**	3,793
Deferred tax liabilities	**5,372**	4,401
Current lease liabilities	**728**	426
Current borrowings	**84,819**	65,000
Non-current lease liabilities	**3,547**	607
Non-current borrowings	**1,699**	—
Total liabilities	**184,279**	184,016
Total net assets	**410,118**	394,289

3. Tax

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on profits for the year	**6,745**	8,690
Adjustment in respect of earlier years	**(39)**	(152)
Total current tax	**6,706**	8,538
Deferred tax:		
Origination and reversal of temporary differences	**2,053**	(813)
Total deferred tax	**2,053**	(813)
Total tax	**8,759**	7,725

4. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2022 of 4.00p per share (2021: 3.63p)	**5,336**	4,822
Interim dividend for the year ended 31 December 2023 of 2.93p per share (2022: 2.66p)	**3,917**	3,540
	9,274	8,383

The proposed final dividend for the year ended 31 December 2023 of 4.40p per share (2022: 4.00p) makes a total dividend for the year of 7.33p (2022: 6.66p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £5,900,000.

Notice has been received from Moore Street Securities Limited waiving its right as corporate trustee for the Employee Share Ownership Plan ('ESOP') to receive all dividends in respect of this and the previous financial year.

5. Investment properties

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the fair values of investment properties recognised in the Statement of Financial Position by the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2023 £'000**	2022 £'000	Increase/ (decrease) in year
Completed investment property						
Industrial	—	—	73,820	**73,820**	52,927	20,893
Leisure	—	—	5,096	**5,096**	9,208	(4,112)
Residential	—	—	4,359	**4,359**	4,322	37
Office	—	—	3,139	**3,139**	6,275	(3,136)
Retail	—	—	14,188	**14,188**	14,466	(278)
	—	—	100,602	**100,602**	87,198	13,404
Investment property under construction						
Industrial	—	—	—	**—**	9,918	(9,918)
	—	—	—	**—**	9,918	(9,918)
Total carrying value	—	—	100,602	**100,602**	97,116	3,486

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that causes the transfer. The Directors determine the applicable hierarchy that a property falls into by assessing the level of comparable evidence in the market, which that asset falls into and the inherent level of activity. As at the reporting date and throughout the year, all property was determined to fall into Level 3 and so there were no transfers between hierarchies.

Explanation of the fair value hierarchy:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – fair value measurements are those derived from the use of a model with inputs (other than quoted prices included in Level 1) that are observable from directly or indirectly observable market data; and
- Level 3 – fair value measurements are those derived from use of a model with inputs that are not based on observable market data.

Investment properties have been split into different classes to show the composition of the investment property portfolio of the Group as at the reporting date. Management has determined that aggregation of the results would be most appropriate based on the type of use that each property falls into, which is described below:

Class	
Industrial	Includes manufacturing and warehousing, which are usually similar in dimensions and construction method.
Leisure	Includes restaurants and gymnasiums or properties in which the main activity is the provision of entertainment and leisure facilities to the public.
Mixed-use	Includes schemes where there are different types of uses contained within one physical asset, the most usual combination being office and leisure.
Residential	Includes dwellings under assured tenancies.
Office	Includes buildings occupied for business activities not involving storage or processing of physical goods.
Retail	Includes any property involved in the sale of goods.
Land	Includes land held for future capital appreciation as an investment.

Investment properties under construction are categorised based on the future anticipated highest and best use of the property.

6. Share capital

	Authorised, allotted, issued and fully paid	
	2023	2022
	£'000	£'000
400,000 5.25% cumulative preference shares of £1 each (2022: 400,000)	**400**	400
133,985,763 ordinary shares of 10p each (2022: 133,627,922)	**13,399**	13,363
	13,799	13,763

7. Cash generated from operations

	2023	2022
	£'000	£'000
Profit before tax	**37,302**	45,595
Adjustments for:		
Amortisation of PFI asset	**551**	579
Goodwill impairment	**203**	203
Depreciation of property, plant and equipment	**4,462**	3,957
Depreciation of right-of-use assets	**779**	597
Revaluation (increase)/decrease in investment properties	**(307)**	4,921
Amortisation of capitalised letting fees	**54**	25
Share-based payment expense	**1,601**	1,241
Pension scheme credit	**(4,197)**	(3,422)
Profit on disposal of property, plant and equipment	**(341)**	(176)
Profit on disposal of equipment held for hire	**(1,185)**	(1,070)
Gain on disposal of investment properties	**(733)**	(646)
(Profit)/loss on disposal of assets held for sale	**(1,571)**	150
Gain on disposal of joint ventures	—	(667)
Finance income	**(3,357)**	(1,641)
Finance costs	**6,260**	2,503
Share of profit of joint ventures and associates	**(371)**	(9,079)

Operating cash flows before movements in equipment held for hire	**39,150**	43,070
Purchase of equipment held for hire	**(3,497)**	(5,454)
Proceeds on disposal of equipment held for hire	**1,423**	1,343
Operating cash flows before movements in working capital	**37,076**	38,959
Increase in inventories	**(9,129)**	(63,701)
Decrease/(increase) in receivables	**1,503**	(3,763)
Decrease/(increase) in contract assets	**5,598**	(11,701)
(Decrease)/Increase in payables and provisions	**(26,231)**	24,684
Decrease in contract liabilities	**(2,946)**	(1,027)
Cash flows from operations	**5,871**	(16,549)

	2023 £'000	2022 £'000
Analysis of net debt:		
Cash and cash equivalents	**13,034**	17,401
Bank overdrafts	—	—
Net cash and cash equivalents	**13,034**	17,401
Bank loans	**(83,500)**	(65,000)
Other loans	**(3,018)**	—
Lease liabilities	**(4,275)**	(1,033)
Net debt	**(77,759)**	(48,632)

8. Events after the balance sheet date

Since the balance sheet date the Group has proposed a final dividend for 2023, further information can be found in note 4.

There were no other significant events since the balance sheet date that may have a material effect on the financial position or performance of the Group.

9. These results were approved by the Board of Directors and authorised for issue on 25 March 2024.

10. The 2023 Annual Report and Financial Statements is to be published on the Company's website at www.henryboot.co.uk and sent out to those shareholders who have elected to continue to receive paper communications by no later than 22 April 2024. Copies will be available from The Company Secretary, Henry Boot PLC, Isaacs Building, 4 Charles Street, Sheffield S1 2HS.

11. The AGM of the Company is to be held at Double Tree by Hilton, Chesterfield Road South, Sheffield, S8 8BW on Thursday 23 May 2024, commencing at 12.30pm.